CONCORDIA UNIVERSITY

BOARD OF GOVERNORS

CONCORDIA EMPLOYEE BENEFITS COMMITTEE

Meeting of January 24th, 1980

Attendance: Mr. H. Hemens, Chairman, Prof. C. Goldman, Prof. C. Potter, Mr. W.M. Reay, Miss S. O'Reilly, Prof. G. Martin, Mr. C. Waters Miss M.D. Johnson, Mr. J.L. Bourbeau of William M. Mercer Ltd. Messrs. Fawcett, Fulton and Donald of McLean Budden Ltd.

Minutes of Meetings held on December 5th, 6th, and 13th 1979 and January 3rd, 1980

It was proposed by Professor Goldman seconded by Professor Martin and unanimously carried that the minutes of the above meetings be approved as circulated.

Presentation by McLean Budden

Mr. Fawcett acknowledged that McLean Budden's equity performance prior to 1977 had been jusitifiably critized by the Committee. He mentioned that it was for this reason that Rodney Donald had been hired in mid 1977. Since Mr. Donald had been involved, the Concordia Fund had shown a very marked improvement in equity performance through June 1st, 1979 when results were in the first quartile of the Wood Gundy report. Cumulative results had also shown marked improvement.

Mr. Fawcett admitted that McLean Budden's prognosis of the bond market in latter 1978 had been wrong. They had gone long in bonds at the wrong time since interest rates have increased substantially since. This resulted in poor performance in the fixed income portfolio. He remarked, however, that the cash in the Equity account had not been weighted in the Fixed Income component for measurement purposes resulting in the performance appearing to be even worse than it was.

Rodney Donald explained that McLean Budden had been rebuilding its management team after sustaining the loss of two key principals between 1974 and 1976. He commented that this rebuilding was now complete and that the management profile was one designed for stability and longevity.

Mr. Hemens remarked that equity had been held to 25% of book value and that he felt that this should change. Mr. Fawcett replied that on funds where McLean Budden has total discretion, the asset mix was about 40% equity, 20% mortgages, 30% bonds and 10% cash. He added that holding the Fund to a maximum 25% equity

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exposure had brought down total performance to a considerable degree.

Professor Potter asked what method was used to evaluate risk in the investments. Mr. Fawcett replied that betas were used to indicate volatility. At Mr. Potter's suggestion, Mr. Fawcett agreed that these reports could be made available upon request.

Professor Martin questioned McLean Budden's lack in communicating concern or advice upon the asset mix of the fund. While the asset mix limitation was one to be made by the Committee, more input and advice was required of investment counsel to reach the decision. Professor Martin's main criticism of McLean Budden was that they had not been vocal enough or insistent enough in conveying their views to the Committee.

Mr. Fawcett replied that McLean Budden's philosophy on asset mix was expressed frequently in the quarterly reviews. He admitted, however, that Professor Martin's criticism was a valid one and that McLean Budden had not, indeed, been vocal enough in objecting to the asset mix decision of the Committee. He undertook to ensure that a specific asset mix recommendation would be included with each quarterly report.

The current limit of 25% equity content was raised and a proposal made that McLean Budden be authorized to increase Equity content to a maximum 30% of book value. The proposal was passed by a vote of five for, and one against.

It was agreed that the Secretary would attempt to arrange a meeting for February 1st, 1980.

The meeting terminated at 1:55 p.m.

Colin Bates

CONCORDIA UNIVERSITY

BOARD OF GOVERNORS

CONCORDIA EMPLOYEE BENEFITS COMMITTEE

Meeting of January 3rd, 1980.

Attendance: Mr. H. Hemens, Chairman, Mr. E.A. Lemieux, Prof. C. Goldman, Prof. C. Potter, Miss S. O'Reilly, Mr. W.M. Reay, Prof. G. Martin, Mr. C. Waters, Miss M.D. Johnson, Mr. J.L. Bourbeau of William M. Mercer Ltd.

Audit Financial Statements for the year ending December 31, 1979

It was proposed by Professor Martin seconded by Mr. Reay that the Annual Audited Statements as presented by Touche Ross and Company be approved. The proposal was unanimously carried.

The Chairman pointed out that Touche Ross had indicated in a letter that the actual debit/equity ratio of the fund was far from the 60/40 split initially recommended. It was generally agreed that this item would receive attention once the pending decision on money management has been made.

Naming of Auditors for the 1979 calendar year

It was proposed by Professor Martin, seconded by Mr. Reay and unanimously carried that Touche Ross be recommended to audit the Pension Plan fund and operations for the 1979 calendar year and be charged with the production of the audited 1979 financial statements.

Fund Management

The Committee discussed generally the merits of the 5 investment management companies interviewed. The Chairman suggested that it would be a good initial step if the list of money-managers could be reduced from 5 to 3 or preferably 2.

The possibility of splitting the fund between two or more fund managers was also discussed. This could be effected on an asset class basis or on the concept of two or more mixed funds. No firm concensus was reached as to whether or not such an approach would have a positive effect on the total fund.

It was generally agreed that a split by asset class would result in the decision upon investment mix being entirely incumbent upon the Committee. A split would, in all cases, result in higher administrative costs for investment management, trusteeship, brokerage and measurement services.

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Since the investment managers seemed too close to each other in respect to their functioning, the Committee was unable to eliminate any of the five from the running. Mr. J.L. Bourbeau of Mercers, was asked to update their ranked list of fund managers and to report back to the Committee.

Agreement was reached that a meeting would be held on Thursday January 24th to discuss the topic further in the light of Mr. Bourbeau's findings.

Actuarial Valuation

It was proposed by Professor Martin seconded by Mr. Reay and unanimously carried that the recommendations included in the Actuarial Valuation presented by Mercers, be adopted. Professor Potter agreed that the points regarding the valuation which were raised in his memorandum of November 9th, 1979 could be raised for discussion at a future meeting.

The meeting terminated at 1:15 p.m.

Colin Waters, Secretary